USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 12/31/2003

GAIN Report Number: MX3169

Mexico

Agricultural Situation

Weekly Highlights & Hot Bites, Issue #57

2003

Approved by:
William L. Brant
U.S. Embassy Mexico City

Prepared by:
Benjamin Juarez, Dulce Flores & Gabriel Hernandez

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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

THE AGRICULTURAL SECTOR WILL GROW 4.8 TO 5 PERCENT

The Secretary of Agriculture, Javier Usabiaga, affirmed that the rural sector growth for this year will be between 4.8 to 5.0 percent and that spring/summer harvests will have record crops due primarily to excellent weather conditions. However, he admitted that the development of rural areas has been left behind. On the other hand, the National Institute of Statistics, Geography, and Data show that for the first three quarters of 2003, the agricultural sector increased only a 2.3 percent, far from what the Secretary expects. (Source: Financiero 12/17/03)

SUGAR PRICES EXPECTED TO INCREASE IN JANUARY

The Sugar Trading Fund that depends on the Fund for the Expropriated Sugar Mills, began to limit sugar distribution because the Fund will apply a 3-percent increase on prices by January 1st. Sugar price increases will be applied to both standard and refined sugar. The President of the Council for Food, Beverages, and Tobacco, indicated that the canceling of the special tax on HFCS-containing beverages would reduce pressure on sugar demand, thereby leaving more sugar for other industries. (Note: December prices for standard sugar are $320/ 50 kg bag (US$28.32/ 50 kg bag) and $365/ 50 kg bag (US$32.30/50 kg bag) for refined sugar). (Source: Reforma 12/19/03)

THE ECOLOGY INSTITUTE DEMANDS THAT MORATORIUM ON TRANSGENIC CORN NOT BE ANNULED

The National Ecology Institute (INE) formally requested that the moratorium on cultivating transgenic corn in Mexico not be canceled. Recently, the Inter-secretarial Commission on Bio-safety and Genetically Modified Organisms (CIBIOGEM) eliminated this moratorium. INE pointed out that before eliminating the moratorium, it is necessary to have provisions in place to avoid an incorrect application of this measure. Therefore, in January 2004, INE will submit to CIBIOGEM a document prepared by the scientific community which proposes conditions to develop transgenic research in Mexico. According to the INE President, Exequiel Ezcurra, CIBIOGEM's decision to eliminate this moratorium has caused concern among organizations and specialists, due to the risk of increasing the presence of transgenic in traditional crops, as happened two years ago in Oaxaca. (Source: Milenio; 12/18/2003)

BENEFITS FROM NAFTA?

Former Under Secretary of Foreign Trade Luis Bravo Aguilera said that NAFTA did not provide Mexico with all the expected benefits promised by President Salinas' administration. "Even though Mexico's trade was diversified extensively in some sectors and thus far has increased 300 hundred percent, few Mexican sectors have benefited as expected. This is a tangible feature showing that authorities did not prepare Mexico's infrastructure accordingly for NAFTA implementation," Bravo added. Moreover, he said that vulnerable and sensitive sectors were left aside due to NAFTA's poor negotiations. "There are irrefutable examples to prove how much the agricultural sector suffered as well as the automotive industry, and that even though it has reported better benefits, this is insufficient, since efforts to make it a more self-sufficient sector have been unsuccessful due to a domestic lack of inputs, Bravo concluded. (Source: El Financiero; 12/17/2003)

NEW IMPORT TARIFFS WOULD INCREASE FOOD PRICES: ECONOMY SECRETARY

The Secretary of Economy (SE), Fernando Canales-Clarion, criticized the Lower House decision of increasing the over-quota import tariffs for white corn, yellow corn, and dry beans and non-fat dry milk, as well as keeping the high-fructose corn syrup tax and increasing cigarettes taxes. He expects that Senators will make changes and rectifications to the 2004 Revenue Law approved by the Lower House on Tuesday morning, December 23, 2003. If the Senate were to authorize the increase on the over-quota import tariffs on corn and non-fat dry milk, he said, it would mean an increase in food costs for Mexicans. Also, he pointed out that the differences between Mexico and the United States could deepen if Mexican senators insist on keeping the high fructose tax (Source: Reforma; 12/24/2003)

LAWMAKERS PASS REVENUE PACKAGE

The new spending bill, approved Tuesday morning, December 23, 2003 by the Lower House will hit smokers with a 20-percent tax and also cut funds to Mexico City. A majority of Congress, including many PRI members, approved the city's borrowing limit at only 500 million pesos (U.S. $45 million), one-fifth as much as Mexico City's Mayor had requested. Meanwhile, the cigarette tax also drew howls of protest from tobacco-growing states like Nayarit, and even from some legislators. Under the revenue budget, Congress expects to collect 16.2 billion pesos more in revenue than in 2003 because of faster economic growth and a handful of minor new taxes. Legislators estimated the average price of Mexican oil at U.S. $20.00 a barrel which was in line with the government's own estimates. Lawmakers also set the government's debt ceiling at 0.3 percent of GDP as requested by the president. "All in all, this means they are approving a very austere budget," said Alfredo Thorne, an economist with J.P. Morgan Chase & Co. in Mexico City. "The consequence is that there will be less potential for economic growth." The revenue budget, which still must be approved by the Senate, is similar to a proposal the Finance Ministry made as a backup proposal in case Congress failed to pass a government bill to apply a sales tax to food and medicines and lower the corporate tax rate. The failed tax bill, which Fox said was needed to increase funds for social spending and spur investment, was voted down by a coalition of opposition parties. In Mexico, the revenue and spending side of the budget are voted on separately, with the revenue budget requiring approval from both houses and spending subject only to approval by the lower house. The house passed the revenue budget 421 to 4 with 52 abstentions. (Source: El Universal, La Jornada; 12/24/2003)

MEXICAN BORDER CLOSED TO U.S. MEAT IMPORTS DUE TO BSE

Local newspapers in Mexico published the information concerning the U.S. first case of bovine spongiform encephalopathy (BSE) in an adult Holstein cow in the state of

Washington. The news mentions that the Secretary of Agriculture, Ann Veneman, related the findings and that the preliminary laboratory results have been positive. The President of the Regional Livestock Association from Nuevo Leon indicated that if test results are positive, Mexico should close its border to beef imports. However, he added, that Mexico does not import cattle but only frozen meat. Mexico has about 23 million cattle heads, and this type of news is worrisome because of the risk of infection. Some newspapers gave additional information on BSE and how BSE is transmitted. (Source: Universal, Reforma, La Jornada, 12/24/03)
Note: This office confirmed with the General Director of Phytozoosanitary Inspection, that as of December 24, Mexico decided to close its border to imported bovine meat, and will remain closed depending on the information Mexico receives from USDA officials.

THE 20-PERCENT TAX ON HFCS WAS VOTED AGAIN FOR 2004

The Lower Chamber of the Congress finally approved several laws including the Fiscal Budget for 2004. According to the news, the Lower Chamber approved to continue to have a 20-percent tax on the HFCS-containing beverages. This decision has still to be ratified by the Senate, which is expected to vote on it in a few days. The sugar industry defended the tax issue arguing it is the main negotiating tool of Mexico with the U.S. on the sweeteners issue, as the U.S. did not comply with NAFTA agreements. Furthermore, the legal representative of the Sugar Chamber, indicated that with the recently-signed U.S-Central American trade agreement assigning that region 90,000 MT of sugar access to the U.S. market, it is evident that Mexico is not considered a U.S. partner. (Source: Financiero, Reforma, 12/23/04)

UNITED STATES EXCLUDES MEXICO OF ANTIDUMPING PETITION ON SHRIMP

The U.S. and Mexican shrimp industries formalized an agreement to face Asian and South American imports being unfairly dumped into the common North American market. In the agreement, the U.S. also committed to exclude Mexico from the list of countries for which it plans to file an anti-dumping petition. Approximately 95 percent of Mexican production is sold in North America, but has had to compete with low prices from Asian and South American imports. (Source: El Financiero, Reforma, La Jornada; 12/19/2003)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

Number	Title	Date
MX3166	Weekly Highlights & Hot Bites Issue #56	12/16/03
MX3167	Dry Beans, Sorghum and Corn Update	12/17/03
MX3168	Mexico Announces quota for U.S. Chicken Leg Quarters for 2004	12/30/03

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To reach us at FAS/Mexico City:

AgMexico@usda.gov and/or ATOMexico@usda.gov